

# House Study Bill 661 - Introduced

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
TRANSPORTATION BILL BY  
CHAIRPERSON BYRNES)

## A BILL FOR

1 An Act relating to the rate of the excise tax on motor fuel and  
2 certain special fuel used in motor vehicles.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 452A.3, subsection 1, Code 2014, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4 1. *a.* Except as otherwise provided in this section and in  
5 this division, this subsection shall apply to the excise taxes  
6 imposed on each gallon of motor fuel used for any purpose for  
7 the privilege of operating motor vehicles in this state.

8 *b.* An excise tax is imposed on each gallon of motor fuel in  
9 an amount equal to sixteen cents per gallon plus five percent  
10 of the sales price charged by the supplier exclusive of the  
11 sixteen cents per gallon.

12 Sec. 2. Section 452A.3, subsection 1A, Code 2014, is amended  
13 by striking the subsection.

14 Sec. 3. Section 452A.3, subsection 1C, Code 2014, is amended  
15 to read as follows:

16 1C. The rate of the excise tax on E-85 gasoline imposed  
17 in subsection 1B shall be determined based on the number of  
18 gallons of E-85 gasoline that are distributed in this state  
19 during the previous calendar year. The department shall  
20 determine the actual tax paid for E-85 gasoline for each period  
21 beginning January 1 and ending December 31. The amount of  
22 the tax paid on E-85 gasoline during the past calendar year  
23 shall be compared to the amount of tax on E-85 gasoline that  
24 would have been paid using the tax rate for gasoline imposed  
25 in subsection 1 ~~or 1A~~ and a difference shall be established.  
26 If this difference is equal to or greater than twenty-five  
27 thousand dollars, the tax rate for E-85 gasoline for the period  
28 beginning July 1 following the end of the determination period  
29 shall be the rate in effect as stated in subsection 1 ~~or 1A~~.

30 Sec. 4. Section 452A.3, subsection 3, Code 2014, is amended  
31 to read as follows:

32 3. *a.* For the privilege of operating motor vehicles or  
33 aircraft in this state, there is imposed an excise tax on the  
34 use of special fuel in a motor vehicle or aircraft.

35 (1) The tax rate on special fuel for diesel engines of motor

1 vehicles is ~~twenty-two and one-half~~ an amount equal to eighteen  
2 cents per gallon plus five percent of the sales price charged  
3 by the supplier exclusive of the eighteen cents per gallon.

4     (2)   The rate of tax on special fuel for aircraft is three  
5 cents per gallon.

6     (3) On all other special fuel, unless otherwise specified in  
7 this section, the ~~per-gallon~~ rate is the same as the motor fuel  
8 tax.

9     b.   Indelible dye meeting United States environmental  
10 protection agency and internal revenue service regulations must  
11 be added to fuel before or upon withdrawal at a terminal or  
12 refinery rack for that fuel to be exempt from tax and the dyed  
13 fuel may be used only for an exempt purpose.

14	EXPLANATION
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15           The inclusion of this explanation does not constitute agreement with  
16           the explanation's substance by the members of the general assembly.

17       This bill imposes an excise tax on motor fuel and special  
18 fuel for diesel engines of motor vehicles that is a combination  
19 of a rate per gallon and a percentage of the sales price.

20 The current distribution percentage formula for determining  
21 the rate of the tax on ethanol blended gasoline and gasoline  
22 other than ethanol blended gasoline is due to expire on June  
23 30, 2014. After that date, the tax on all motor fuel will be 20  
24 cents per gallon. The current rate of tax on diesel fuel for  
25 motor vehicles is 22.5 cents per gallon.

26 Under the bill, effective July 1, 2014, the rate of the  
27 excise tax on motor fuel will be 16 cents per gallon plus 5  
28 percent of the sales price charged by the supplier, exclusive  
29 of the 16 cents per gallon. The rate of the excise tax on  
30 special fuel for diesel engines of motor vehicles will be 18  
31 cents per gallon plus 5 percent of the sales price charged  
32 by the supplier, exclusive of the 18 cents per gallon. By  
33 operation of law, the rate determined under the bill for motor  
34 fuel will also apply to special fuel that is not for diesel  
35 engines of motor vehicles or for aircraft, and under specified

1 circumstances, the rate determined under the bill for motor  
2 fuel might also be the rate for E-85 gasoline.

3 Pursuant to current law and under the bill, fuel taxes are  
4 paid by the supplier on the invoiced gross gallonage of motor  
5 fuel or special fuel withdrawn from the terminal, then added to  
6 the retail price so that the ultimate consumer bears the burden  
7 of the tax.